



March 20, 2012

Path to Prosperity vs. Obama Downgrade

Fiscal Stats

Spending

- FY 2013 total spending
 - House budget: \$3.5 trillion
 - Obama budget: \$3.7 trillion
- FY 2013 – 2022 total spending
 - House budget: \$40.1 trillion
 - Obama budget: \$45.4 trillion
- FY 2013 discretionary
 - House budget: \$1.028 trillion
 - Obama budget: \$1.047 trillion
- FY 2013 – 2022 discretionary
 - House budget: \$11.2 trillion
 - Obama budget: \$12 trillion

Debt and Deficits

- FY 2013 – 2022 total deficits
 - House budget: \$3.1 trillion
 - Obama budget: \$6.4 trillion
- FY 2022 publicly held debt
 - House budget: 62.3% of GDP
 - Obama budget: 76.3% of GDP
- FY 2022 interest costs
 - House budget: \$614 billion
 - Obama budget: \$743 billion
- FY 2022 deficit
 - House budget: \$287 billion
 - Obama budget: \$728 billion

Other Highlights

- Replaces the Budget Control Act's first-year sequester, scheduled to take place in January 2013, by: (1) reducing the FY 2013 discretionary cap by \$19 billion, (2) assuming the mandatory portion of the sequester scheduled for January 2013 does in fact take place, and (3) reconciliation instructions that instruct six House committees to produce 10-year savings of \$261 billion. This approach protects national security funding from the 2013 across-the-board sequester.

- Includes several budget reforms, including a binding cap on total government spending as a percentage of GDP.
- CBO estimates that the House budget would balance by 2040 and run annual surpluses thereafter. In 2050, debt held by the public would be 10% of GDP, down from today's 73.2% of GDP

Policy Assumptions

Since budget resolutions do not become law, it requires future legislation to implement many of its other policy goals. In the Path to Prosperity, the following policies are assumed to be implemented through future legislation:

Medicare

- Create a premium support system for beneficiaries turning 65 in 2023. Those turning 65 prior to 2023 would have the option of staying in traditional Medicare or using premium support.
- The premium for a 65-year old entering the program in 2023 would receive support of about \$7,500 per year, which reflects traditional Medicare estimated spending on the average 65-year old in 2023.
- Benefits would be indexed to the growth of the economy plus 0.5 percentage points – the same inflation assumption used in the president's budget.
- The traditional Medicare fee-for-service plan would be preserved as one option for premium support enrollees to choose, beginning in 2023.
- Also beginning in 2023, the eligibility age for Medicare would be raised by two months per year, so that the eligibility age would reach 67 in 2034.

Medicaid

- Convert the Medicaid program to a block grant. The block grant would be increased annually to reflect population growth and inflation. States would gain additional flexibility to manage their Medicaid programs.

Other health care

- Repeal the health care law's coverage expansions scheduled to take effect in 2014.
- Repeal the Independent Payment Advisory Board, a board of unelected bureaucrats empowered to enforce caps on Medicare spending.
- Enact medical liability reforms, including a cap on non-economic damages.

Tax Reform

- Eliminate unspecified tax expenditures necessary to implement an individual income tax system of just two rates: 10% and 25%.
- Lower the top corporate income tax rate to 25% and move to a territorial system.
- Eliminate the Alternative Minimum Tax.